

The Magazine “Cover Gifts” War

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Magazines frequently include free gifts on their covers to entice readers. Examples have ranged from Bach CDs to scented candles to DVDs. The gifts started as an attempt to increase readership, but some business insiders now feel that they have become a serious problem for the industry. According to Simon Kippin, publishing director of *Good Housekeeping*: “My colleagues say they wish they had never started doing it because it costs them a fortune.” Adds Ian Rockett, business director at MindShare, a media planning and buying agency: “It’s often a defensive measure for publishers. ... Publishers are afraid they will lose market share if they don’t offer gifts to readers.” Noleen Wyatt-Jones, group manager of the press department at Zenith Media, argues that “cover mounting is a very dangerous thing because once you start you cannot get out of it.”

Analysts say that the situation varies considerably across segments of the industry. In women’s magazines, publishers typically bear a large share of the cost of cover gifts. The magazines often use gifts to enhance the brand image of the magazine. For example, *Elle* recently offered its readers an *Elle* metal key chain. With music, computer, and video-game magazines, however, the cost of gifts is typically covered by the supplier, who pays for the privilege of having its product reach a targeted audience. “We give them the space; they give us the product,” says Andy Harris, sales executive at *PC Plus* magazine. There is also variation across geographic segments. Cover gifts are very common in the UK, less so in the US.

Questions for Analysis

- (a) What are the elements of competition and cooperation in this industry?
- (b) Is the “cover gifts” war a win-win game or a prisoner’s dilemma?
- (c) Do these elements differ across market segments?
- (d) Would magazines be better off if they agreed to refrain from using cover gifts?

Notes

This case was motivated by the article “When a gift is a cover-up,” by Astrid Wendlandt, *Financial Times*, March 24, 2000. The quotations come from the article.

David Backus and Luís Cabral prepared this case for the purpose of class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. © 2001 David Backus and Luís Cabral.
